

Compilation of Email and Written Comments
Received by Facilitation Team April 28, 2005 – May 11, 2005

I am writing in regards to complaints from some Hanalei residents about vacation rental homes in the area.

I am a Hawaii resident and am a vacation rental owner in Hanalei who wants to be able to use my homes several times during the year. This I would not be able to do if it was a long-term rental. I built my house in 1974 and want to still be able to enjoy it. Vacation rental enables me to be able to afford to pay the Real Property Tax, water electric and telephone bills. The County also benefits from the Excise Taxes and Transient Taxes that I have paid since 1979.

Please don't change the way I use my property.

I am writing for myself, and my countless neighbors who have been unable to find affordable housing on our home island of Kauai due to the vacation rental industry's invasion of our once small community.

The onset of the vacation rental boom that hit our island has destroyed the very core, and standard of living for the families. Vacation rentals have caused family breakups, homelessness, and the standard of living to decrease immensely for the typical local family.

Vacation rentals have taken away what once was available homes as the property owners expel the local renter for bigger and grander profits in the vacation rental industry.

The cost to our families, to our island, our community is great.

The shortage of both rental and purchasable properties on island has caused the medium price of both these long term family rentals and single family homes to exultate beyond affordable prices for most of us Kauaians. We can no longer afford to purchase a home, or even rent one. Even apartment renting has become almost non existant as even these dwellings become transformed into vacation rentals. There is no where for us to go.

There is no plan to create "real" affordable housing on island to balance the loss of affordable housing by the conversion of the pre existing dwellings to be converted into vacation rentals. Because it is not profitable, no one will build homes for our locals to replace the loss.

It is said that supposingly there is a plan for a few dozen affordable units to be built in the next year or so. The problem is with this small bandaide and pretend solution is multi-fold. First of all, a few dozen will not provide the hundreds of homes needed now that hundreds of vacation rental transformations have taken place. Secondly, who can afford these so called affordable housing promised by the big developer as a gester as they build many, many more vacation rentals beside these few home. It is said that these homes are

to be for the medium income family with the income of \$60,000! Realistically, that eliminates most of the island local residence. Many families don't even make ½ of that amount of income, so who does this benefit. It is understood that all of those units are already spoken for anyway, buy, guess who, multi-property owners with deep pockets and the wealth. What will they do with them, turn them into more illegal vacation rentals. Oh, a few may go to local families, the upper class because they are the only ones who can afford them.

It was said to some I know directly by our own Mayor, Baptiste, that the low income will never be afford to purchase a home if they don't earn that much money! Well, that is exactly the point.

The vacation rental industry has inflated the price of properties so the poor and working class can never afford something, and the single family long term rentals will continue to escalate in cost because their owners see bigger dollar signs for themselves as the shortage of rentals for our local families increases.

It is known that the property owners and realtors are banning together in a coalition to prevent a regulation of vacation rentals on island so that they can continue to benefit and make huge profits from these vacation rentals. Does the committee know that they know its wrong, but don't care, that these realty companies do not care that the vacation rentals are illegal, they don't want to know they just want the huge profits gained. So, they are trying to alley together, pull strings for political allies to get it squashed. Please do not allow it. Kauaians are depending on you to make things right before its too late here on Kauai. Before the entire island is swallowed up by the wealthy and is one gigantic vacation rental.

Will all but a few of our families live in extreme poverty or will the need to move off island to take care of their families and provide a home for them.

Where do the single parent with one income live? How about our young people, how can they afford a home as they graduate and start out on their own, they will never be able to.

How about taxes. Vacation Rental property owner and their management companies are not paying them. Instead we as Kauaians are eating the extra burden and cost of the units and the cost of the visitors to them.

Additionally, Many politicians, and professionals, in the community do not want a regulation on the vacation rental business because they too have vested interest in this. Ask how many county council, and the mayor if they or their family have a financial benefit in either a vacation rental or the realty company that manages them. It may be a surprise to find out that they do, but its not something that they are going to come out in the open with. So, biast opinions towards issue may be a comflict of interest in this.

Does the board or agency who is appointed to resolving this controversy know how many families have been ousted of their homes for bigger profits? How many families must live in a single family residence, crowded, squeezed in like animals just to have a roof over their heads. How many families are actually camping at the beach, in the back yard of

friends or relatives, renting a bedroom from someone for an entire family to share, or camping out in a garage or even a carport with tarps as walls, so that they have a roof over their heads. Yes, a great number of families. Kauai has about 1,000 homeless families camping somewhere, where ever they can, and more multiple families living in single family residences with no hope of finding a better living situation as more and more properties are converted to vacation rentals.

Looking into the Garden Island Newspaper, the list of vacation rentals is enormous, the amount of homes for rent to local families tiny. Those vacation rentals used to be available to our families. There are numerous realty companies specializing and primary source of income has now been centered around renting out single family residences, condos, apartments, town-houses to the tourist industry. Property that once held our Kauaian families is occupied by the tourist industry.

Tourists are being led out of the hotels that once supplied jobs for my neighbors. Less tourists in the hotels equals less jobs. I have not heard of one new job being created by a family being expelled from their home so it could be converted into a vacation rental.

Vacation Rentals only benefit the property owner and the management company, it does not help build the economy of our island. It does not create jobs, but takes them away.

Another consideration. Do we really want our entire island to continue to be bought up by mainlanders to be converted into vacation rentals. By people who no vested interest in our community, people who do not pay taxes on the profits of which they benefit from our little island.

Vacation Rental owners are not paying their share of taxes. Yet their guest benefit from our roads, our emergency respond teams when they crash their cars, don't know how to respect our waters, from our trash disposal, from our traffic lights, and street lights and the cost of the utilities. No their share and burden is made up by the hardworking poor families of our island.

We Kauaians do not want our neighborhoods to be invaded by scores of tourists coming and going. We do not want to see our families suffer homelessness because of the greed of wealthy property owners. We do not want the level of living standard to decrease, as higher rents keep escalating because of the demand for homes which can not be met. So families who actually have a place to live must pay higher and higher rent or risk loosing their homes too. Where does the money come from, should single parents take on a 2nd, 3rd job, should our children go without new shoes for school, wear torn clothing, lack proper nutrition because the parents can only afford rent or a good meal to eat.

Vacation Rental invasion has caused all of this. Vacation rentals spread all over our entire island has damaged our island almost to no repair. It must be stopped before its too late, before the damage is so great that it can not be reversed.

I suggest to regulate and restrict the number of vacation rentals in Kauai, and restrict it to non-residential neighborhoods. Take them out of the apartment buildings and condo

buildings, so that they will transform back to homes for Kauaians. Tax the remaining vacation rentals so that they pay their own way, so we Kauaians do not have to carry their tax burden.

I suggest strong fines for property owners with illegal vacation rentals, strong fines for vacation rentals not paying taxes, strong fines for management companies who run these vacation rentals, strong fines to those agencies that contribute to the illegal vacation boom by not certifying they are licensed and in good standing before allowing them to advertise with the agency. I suggest a responsible body, with the power and manpower to enforce regulations and ability and power to impose these fines. And the ability to prosecute those who continue to violate the rules and for those who do not pay the fines.

I ask to stop selling off our heritage, to stop expelling kauaians from their homes, to stop allowing the wealthy to get wealthier at the cost of kauaians.

We have been following the VDA debate with some interest, and would like to add a few of our thoughts/comments. You may use our names if necessary, and please feel free to contact us if we can help in any way.

Our home is in the Anini Beach area. We have been traveling/living overseas for much of the last 3 years. During this time, we have put our house in the Kauai Vacation Rentals program to help offset some of our expenses. We are a long way from making a profit, but the rental income allows us to maintain the property, cover all of the direct rental expenses, and pay a bit of the fixed overhead. Most important to us, is that we can afford to keep the house & garden looking as nice as possible while we are away.

We are not sure we understand what the real objective of the VDA law is. We would hope that, in finding a 'go forward' solution, that the County avoids acting on a simple tally of individual 'me first' positions. Kauai should develop a considered law that is in the best LONG TERM interests of the island. The law needs to comprehend the realities of life & times on Kauai today. We would like to see Kauai protected & preserved, but we cannot stop time or turn the clocks back to the "good old days".

Some thoughts/concerns:

Enforceability – whatever is decided, we hope that the law is enforceable. In our little community, we have problems with speeders, homeless living in the campground, home break-ins, kids camping on private land, and drug use/dealing in the park. We have clear laws aimed at protecting us, but there not adequate resources within the Parks Dept or the Police Dept to come close to meeting the safety expectations of the neighborhood. If we 'outlaw' vacation rentals, we suspect that, while many homeowners would stop making their homes available to tourists, the 'gray market' for rentals would grow rather dramatically. The result would be a drop in GET/TA revenues for the state, and a commensurate drop in the quality of marketing & presentation of those rentals to Kauai's

tourists. We just don't know how Kauai would effectively & fairly enforce a ban on vacation rentals.

VDA vs Tourist Destinations – it seems that there is some dissonance between our 'zoning' goals and the day-to-day realities of tourism. We offer Anini as an example, but we are pretty sure that these arguments apply to other areas (notably Hanalei). We assume that VDA defines Anini as a residential neighborhood. There are about 20 to 30 homes at beach level, and a handful of estates up on the bluff. Yet, we'd estimate that nearly ~100 non-residents drive through or visit Anini Beach every day. IN our little neighborhood, we have a state campground, a day-use park, a polo field, windsurfer rentals, a boat launch ramp, deep sea fishing operators, a handful of public beach accesses between residences, a beautiful calm lagoon for swimming, a number of popular surfing spots, and > 2 miles of public beach. Anini Beach is clearly a tourist destination.

Low Cost Housing – Kauai has a real problem here, especially on the North Shore. The irony here is that there is no shortage of land. There is an abundance of land, especially on the mauka side of the highway. There appears to be no land available for development. We doubt that capital is an issue, as we and others we know would be happy to invest in tastefully done low cost housing. While the shortage of low cost housing is very real, we believe that 'expectations' are an issue with respect to plausible 'go forward' solutions. We all would love to live on the beach or perched on the edge of the bluff overlooking the ocean. Unfortunately, Kauai's beauty & popularity have driven prices of the most desirable properties to levels much higher than most people can afford. People of modest means will pay \$100's per night for a week for a special vacation, yet those same folks could not afford to own or rent the vacation properties long term. Kauai residents (ourselves included) dream to see property values rolled back to the 'old days' so that we might afford beach front property, but this is not realistic. Unless we make draconian changes to our laws and social norms, living in the nicest neighborhoods and in the most desirable parts of the island is not a 'right'.

Alternatives to Single Family Vacation Homes. While we do not have data to support our feelings, it seems to us that single family homes make for a 'lower impact' approach to housing tourists. The north shore has only one hotel. If we ban single family vacation rentals, we suspect that we might have to build more hotels. We doubt that there are any neighborhoods on the north shore that would welcome such development next door. There is also a degree of flexibility in the use of single family homes for tourists. A hotel, once built, is a hotel. Single family homes come & go from the rental scene as personal and market conditions evolve. For many, having access to the tourist rental market is a way to finance the dream of home ownership or retirement on Kauai.

There seem to be several misconceptions about vacation rentals. First, vacation rentals did not cause the growth of the tourist industry on Kauai, they are simply a response to it. If a fisherman stands on the edge of the reef and a school of fish comes by, did the fisherman "cause" the fish to be there? If he thrashes his arms and legs and throws a

temper tantrum he will chase the fish away, and he will be a fool. If he is wise, he will quietly cast out his net and provide for his family.

Second, the affect on affordable housing: According the the Economic Law of Supply and Demand, one does not encourage housing for some people (working class folks) by discouraging housing for other people (vacationers). If we want more affordable housing, here's how: Get the State to donate a bit of it's vast tracts of minimally productive land. Build clusters of 3 cottages on it. Give free rent to deserving families for one of the three in each cluster in return for managing the other two as vacation rentals.

Third, there seems to be a perception that folks who rent to vacationers are making "huge profits," at the expense of other local families who need housing. When I retired from the ambulance in 1992 we had paid off our mortgage. After Iniki destroyed our modest three-room home and most of our personal property, our insurance company went bankrupt and did not honor our policy. We had to borrow to rebuild, so we built an extra cottage to help pay our new mortgage. We are not looking for "profit," just trying to survive like everyone else! Our place is very small and tight. We have only 1/4 acre, surrounded on all sides by neighbors. We prefer to rent to vacationers because we are vacant half the time. And when tourists are here, they spend their days touring (and spending their money). They are less than half the impact on us and on our neighbors than long term renters would be.

Finally, the claim that the "profits" from Vacation Rentals do not "percolate down" to the community. I keep careful books, and 80% of every dollar we bring in goes back out to taxes, insurance, cleaning crews, yard people, repairmen, laundry, supplies, utilities, etc. If we did not live on the property, the other 20% would go to real estate agents to manage the rental! Then of course we now have a mortgage to be paid. On the other hand, the "profits" earned by the large hotels are, in general, repatriated to their owners on the mainland or in other countries. Mr. Jay Furfaro, who is supposed to representing those of us who live here on Kauai as our County Councilman, is also a hireling of a large hotel. His hotel employers may feel a competitive threat from the growing vacation rental industry. They seem to have employed Mr. Furfaro as their "hired gun" to go after and destroy the vacation rental industry. This conflict of interest may only be my perception, but Mr Furfaro should recuse himself from anything to do with this issue as a matter of ethics.

I do not feel the big hotel industry has anything to fear from the vacation rental industry, as our guests are often traveling professionals who stay in hotels all of the time and do not want that experience on vacation. Sometimes they are families who could not afford lodging at a large hotel for their entire family. Or they are single mothers who appreciate having intimate hosts to keep them and their kids safe. If an alternative were not available, these folks probably would go somewhere else other than Kauai.

Kauai is famous for it's hospitality. Even Debra Kapule, King Kaumualii's favorite wife, ran what we today would call a Bed and Breakfast. When travelers appeared on the banks of the Wailua River, she would send one of her canoes to transport them across, then feed

them and invite them to stay the night. Since those were more gracious days, she did not charge money for this. But when the travelers left it was tradition that they leave a "gift" for the household.

The Hawaiian Kupuna who married us used to say we are all like a bucket of crabs. As soon as one crab is successful in climbing to the edge, the others latch on to him and pull him back down. We should celebrate our traditional strengths and encourage our successes, not try to drag each other down!

Many thanks to JoAnn Yukimura and Jay Fufaro for their forward thinking in this collaborate meeting format. The vacation rental issue has been avoided for too long, and presenting information and discussing the problem in a facilitated and organized environment will make a final solution more comprehensive understandable.

I was disappointed that the presentation on the Social/Economic Impact of Vacation Rentals only provided information about Maui residents' feelings on vacation rentals, when Kaua'i residents were asked the same questions in the *Resident Attitude Survey* (September 2002, HTA & DBEDT). Several of those questions are relevant to the vacation rental issue on Kauai.

Kaua'i residents were asked if they Strongly (agree/disagree) or Somewhat (agree/disagree) on the questions below.

Having new bed and breakfasts or vacation rental houses in residential areas would be good for Hawai'i.

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|------------|-----|
| Agree | 37% |
| Disagree | 51% |
| Don't Know | 12% |

My island's economy is too dependent on tourism.

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| Agree | 86% |
| Disagree | 11% |
| Don't Know | 3% |

We should keep all future resorts close to existing hotels.

| | |
|------------|-----|
| Agree | 77% |
| Disagree | 14% |
| Don't Know | 9% |

Another question asks if various places on the island should or should not have significantly more tourism activity. Fifty percent or more of respondents said Hanalei, North Shore, Wailua to Kapa'a, Lihu'e to Hanamaulu, East Kaua'i, and Koloa to Po'ipu "strongly should not" have significantly more tourism.

An additional area of concern that was not addressed at the April 8 forum was the question about whether commercial Vacation Rental properties pay the residential or

commercial rates for their water, sewer, solid waste and electricity use. Are residents subsidizing these commercial uses? I'd like our County representatives to get this information and address these concerns as they move towards a solution.

I've been hearing calls for Jay Furfaro to resign from the VR "stakeholders" group that is in the process of gathering information, with a goal of a solution to the Vacation Rental problem. Yes, Mr. Furfaro does have a vested interest – but not any greater than other representatives/stakeholders who represent vacation rental businesses in the group.

Hotel in Resort areas do have a vested interest in Vacation Rentals – when they invest millions of dollars in impact fees, infrastructure development such as sewage treatment facilities, employee housing and park dedication fees. I think it is hotels that are being treated unfairly. Government officials should have solved the problem of vacation rentals in non-resort areas years ago when it first came to their attention.

I want to put my thoughts on paper regarding regulation of vacation rentals on Kauai. I think I can add an important perspective; I am an owner of a vacation rental and I am an associate of many other vacation rental owners. I empathize with the challenges that the Planning Department is attempting to address but I believe regulation of vacation rentals will produce a result that is counterproductive to the goals of the Planning Department and to those who are looking for ways to increase affordable housing on the island. However, I do think there is a contribution that vacation homes can make toward the problem but it is other than prohibiting vacation rentals.

First, the conclusion: restricting vacation rentals for homeowners will not produce an increase in long-term rentals. These properties will not convert to long-term rentals due to economic and non-economic reasons that I will detail below. Instead, these properties will become second homes that remain vacant much of the year. This will produce a net loss in vacation capacity on the island; with existing vacation lodging already running at full occupancy, vacationers who now utilize these vacation homes will be forced to vacation in locations other than Kauai. The conservative estimate for lost income to the island is \$45 million, also detailed below. And so the result of prohibiting vacation rentals will be 1) no significant gain in long-term rentals; 2) homes that sit empty much of the year; and 3) a loss of business income on Kauai estimated at \$45 million.

The current pool of vacation homeowners are financially AND emotionally invested in Kauai. Yes, we own these homes for financial return. But these homes represent much more than an arms-length financial transaction. We bought these homes so that we could bring our families to Kauai several times each year. We bought these homes so that we could retire part-time or full-time to Kauai in the future. The Planning Department and other stakeholders need to understand the market realities and the emotional perspective and objectives of vacation homeowners in order to accurately predict the outcome of restricting vacation rentals.

Vacation homes will NOT convert to long-term rental. From a financial perspective, it makes very little sense to rent these properties long-term. The numbers just do not work. Market rents are maybe \$1,200-\$1,500 per month. Very few owners want to be landlords; so rental income is reduced by another 20%+ for management fee. This means gross revenue of \$12,000 per year. Yet the house has the wear and tear that inevitably comes with 365-days-a-year occupancy; and most importantly, the homeowner can no longer use the home. This is a case of little advantage and significant disadvantage; better to leave the house vacant and have no costs associated with tenancy and complete freedom to use the house by family and friends. An empty house does not serve the interests of Kauai.

The market value of the average vacation rental home is perhaps \$1.0 million, with an average equity appreciation of \$400-500,000 for the current homeowner. If vacation rentals were prohibited, the owner would face two practical choices: carry the cost of the house (readily funded by equity gains), or sell. Long-term vacation rental just isn't an attractive option. If the current homeowner cannot or chooses not to carry the costs of the house without vacation rental revenue, the remaining best option is to sell to a buyer who will know that the property has vacation rental restriction. Buyers of homes at current prices, and with revenue restriction, are even more likely to be affluent buyers who reject the option of long-term rental in favor of personal use.

Empty homes don't serve Kauai's best interest. There are many desirable resort communities in which, for various reasons, homeowners do not rent to vacationers. Sometimes this is due to regulation; other times it is due to the extreme wealth of homeowners. Look at Ketchum (Sun Valley), Idaho; Vail and Aspen in Colorado; Lake Tahoe and the beach communities all along the California coast. There is nothing charming about an empty house. And the financial impact to Kauai of producing empty homes is significant. If there are 750 vacation homes currently on the island, we can estimate conservatively that each is rented by vacationers 40 weeks of the year and that guests spend a minimum of \$1,500 per week when on the island. This is \$45,000,000 of business revenue that flows through Kauai each year, that is at risk with vacation rental restriction.

A solution? I empathize with the problems Kauai faces. I grew up in a community in California that I couldn't afford to live in as a young person. My kids are growing up in a community that they most likely cannot afford as adults. California, New York, Hawaii and other desirable communities have experienced strong real estate appreciation. Real estate is one of the purest markets: we cannot stop people from selling, buying and moving. And real estate more accurately reflects supply and demand than any other market I know. We need to be realistic about affordable housing in Kauai; as long as demand outstrips supply, prices will increase and Kauai is not unique in this challenge. Vacation rentals will not convert to long-term rentals; this simply is not a solution to the problem Kauai faces. The answer needs to come from a combination of factors: increase supply of affordable housing by developing more affordable housing; and increased financial assistance to those in need of housing. I think this is an area where the owners of vacation homes can help. Instead of looking to regulate vacation homes toward a

solution that won't emerge, Kauai should look to vacation homes as a source of added income for housing and housing assistance. No vacation homeowner would object to higher taxes or fees associated with vacation home use, within reason. If vacation properties contributed an average of an additional \$3,000 per year in taxes or fees, about \$2.3 million per year incremental can be generated for rental and/or purchase assistance. This would represent the best solution for Kauai: retain the revenue that vacationers currently contribute to the island; and generate additional revenue targeted specifically at the problem of affordable housing. Vacation rentals will not become the new inventory of affordable housing, but they do make a very real contribution currently and can make further contributions to the problem with clear thinking and thoughtful decisions.
